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CURRENT SUPPORT BRIEF

DECLINE IN SOVIET MEAT SUPPLIES INDICATED BY DATA ON
MEAT SALES, PRICES, AND PRODUCTION

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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DECLINE IN SOVIET MEAT SUPPLIES INDICATED BY DATA ON
MEAT SALES, PRICES, AND PRODUCTION

State meat production and retail sales of meat products in Soviet state stores in 1960 increased sharply over the 1959 levels. For the large part these increases were concentrated in the first three quarters of 1960 and production and sales in the fourth quarter of 1960 were only slightly above those in the corresponding period of 1959. Total meat production in 1960 was about two percent below the 1959 record high, with all of the decline occurring in the private sector. State production of meat in the first quarter of 1961 is reported to have declined by 13 percent in comparison with production in the corresponding period of 1960. This implies that supplies of meat products in state stores in the first quarter of 1961 probably fell below such supplies in the first quarter of 1960. At this time feed supplies are greater than last year, and there is no reason to think that total meat production will decline in 1961.

The rise of disposable incomes of consumers during 1960, particularly those of lower income groups, together with the apparent failure of meat supplies in state stores and on the collective markets to show a significant increase, apparently has generated inflationary pressures which have resulted in rising meat prices in collective farm markets. Meat prices in Moscow collective farm markets showed substantial increases over the previous year during the second and fourth quarters of 1960.

Indexes of Quarterly Beef, Veal, and Pork Prices in
Moscow* Collective Farm Markets** 1/
(1956=100)

<u>Quarter</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
First	100	101	95	102	107
Second	100	104	97	101	113
Third	100	101	92	100	105
Fourth	100	106	104	99	116

* Moscow prices are only an imperfect indicator of the trend of collective farm market prices in other cities.

** The indexes were constructed by weighting by annual quantities of beef, veal, and pork sold in the collective farm markets of 251 cities in 1955. 2/

These increases in collective farm market meat prices, which were particularly sharp during the fourth quarter, appear to reflect both the failure of state production of meat to expand in the fourth quarter of 1960 and a decline in private meat production during the year. No collective farm market prices are available yet for the first quarter of 1961, but reported increases of queues for meat in state stores also may indicate a decline in state store supplies of meat during the first quarter of 1961 in comparison with the previous year. 3/

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Effect on the Consumer

The implied decline in meat supplies during late 1960 and early 1961 will reduce meat consumption and raise the cost of living of the average Soviet citizen but probably will not have a noticeable effect on his total food consumption in terms of calories. By retarding the growth of the proportion of calories obtained from animal products, however, reduced meat consumption will slow the rate of improvement in the diet. Such an improvement can be expected normally in the USSR through increased purchases by consumers of higher priced foods such as meat as disposable incomes, particularly among lower income groups, increase. In addition, a decline in meat supplies should make clear to the Soviet citizen how remote the prospects are for achievement of Khrushchev's goal of overtaking the US in consumption of meat products per capita.

Meat Sales in 1959-60

Retail sales of meat products in state stores for the full year 1960 registered a 13 percent increase over sales in 1959. Most of this increase, however, was attained in the first three quarters of the year when sales increased almost 20 percent over the corresponding period in 1959. Sales in the fourth quarter were only 2 percent above those in the fourth quarter of 1959.

Retail Sales of Meat and Sausage Products*
(Billion Rubles,** New Prices)

1959, full year	4.23 4/
first three quarters	2.72 5/
fourth quarter	1.51 6/
1960 full year	4.78 7/
first three quarters	3.25 8/
fourth quarter	1.53 9/

* In comparing increases in retail sales of meat with increases in production, it should be noted that the increase in sales measured in value will overstate the increase in sales measured in tons. This overstatement arises because the measurement in values gives greater weight to high cost products which are increasing in proportion to total sales.

** Because no changes in meat prices were announced during 1959 and 1960, it is assumed that increases in meat sales in current prices are equivalent to increases in meat sales in constant prices.

Meat Production in 1959-61

The failure of fourth quarter retail sales of meat products to show a significant increase over sales in the corresponding period of

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1959 appears to be the result of the declining state production of meat products. Although showing a five percent increase for the full year 1960 over 1959, state meat production declined in the fourth quarter in relation to production in the corresponding period of 1959.

State Production of Meat Products in 1959 and 1960
(1,000 MT)

1959, full year	<u>4,228</u> <u>10</u> /
first three quarters	2,230 <u>11</u> /
fourth quarter	1,998 <u>12</u> /
1960 full year	<u>4,425</u> <u>13</u> /
first three quarters	2,500 <u>14</u> /
fourth quarter	1,925 <u>15</u> /

The decline in private production of meat in 1960 is implied by a comparison of total production of meat which includes collective farm and private production, with state production of meat. Whereas state production increased, total meat production declined during 1960. 16/

State meat production in the first quarter of 1961 amounted to only 87 percent of production in the corresponding period of 1960. 17/ Because meat inventories are kept at low levels because of the lack of refrigerated storage facilities, and because such inventories as were maintained appear to have been drawn down sharply in 1960, this decline in production of meat can be expected to be translated immediately into lowered meat supplies in state stores. 18/

At least part of the decline in state meat production in the first quarter of 1961 is due to the abnormally high state meat production in the first quarter of 1960 (which increased 36 percent over the corresponding period of 1959) and therefore does not necessarily indicate that state production during the full year 1961 will fall below production in 1960.

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